

Message Text

CONFIDENTIAL

PAGE 01 PANAMA 04391 171844Z
ACTION ARA-14

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FM AMEMBASSY PANAMA
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C O N F I D E N T I A L PANAMA 4391

JOINT EMBASSY/USAID/MILGROUP MESSAGE

EO 11652: GDS
SUBJECT: AID IMPLEMENTATION OF THE PRESIDENT'S ARMS TRANSFER
POLICY

REF: (A) STATE 129239; (B) STATE 122750

SUMMARY: US POLICY IN PANAMA FAVORS AN EXPANDED DEFENSE ROLE FOR
THE GUARDIA NACIONAL WHICH WILL REQUIRE INCREASING MILITARY
INVESTMENTS. CURRENT DEFENSE OUTLAYS ARE SO LOW AS TO HAVE
AN INSIGNIFICANT EFFECT ON ECONOMIC AND SOCIAL DEVELOPMENT
PLANS.

1. THE PANAMA CANAL TREATY CURRENTLY BEING NEGOTIATED IS
BASED ON A PHASED TRANSFER OF RESPONSIBILITIES FROM THE
USG TO THE GOP INCLUDING THE RESPONSIBILITY FOR THE DEFENSE
OF THE CANAL. IN THIS CONNECTION, MILGP ESTIMATES OF THE
GUARDIA NACIONAL (GN) CAPABILITY INDICATE THE NEED FOR
INCREASED EXPENDITURES FOR EQUIPMENT AND TRAINING FOR THE
NEXT SEVERAL YEARS.

2. OUTLAYS FOR DEFENSE ARE A VERY INSIGNIFICANT PART OF
PANAMA'S OVERALL EXPENDITURE PATTERN, AMOUNTING TO LESS THAN
1 PERCENT OF GROSS DOMESTIC PRODUCT IN 1976 AND AN ESTIMATED
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PANAMA 04391 171844Z

2.4 PERCENT OF THE CONSOLIDATED GOVERNMENT BUDGET. THUS ANY
EFFECTS, POSITIVE OR NEGATIVE, ON THE ECONOMY ARE MINIMAL.
THE FOLLOWING TABLE SHOWS THESE RELATIONSHIPS FOR 1975-76-77:

	1975	1976	1977
(ACT) (ACT) (BUDGET)			
MINISTRY OF GOVERNMENT & JUSTICE	40.2	40.8	41.0

OF WHICH THREE-FOURTHS

NATIONAL GUARD# 30 30 30

OF WHICH ONE-HALF

NATIONAL DEFENSE# 15 15 15

GROSS DOMESTIC PRODUCT (\$ CURRENT) 1934 2037#

PERCENT NATIONAL DEFENSE 0.8 0.7

CONSOLIDATED GOVERNMENT BUDGET 613 638 607

PERCENT NATIONAL DEFENSE 2.4 2.4 2.5

#MISSION ESTIMATES

3. PANAMA'S ONLY DEFENSE ESTABLISHMENT IS ITS NATIONAL GUARD, AN 8,000 MAN PARA-MILITARY FORCE WHOSE PRINCIPAL FUNCTION CONTINUES TO BE STANDARD POLICE RESPONSIBILITIES, RANGING FROM ROUTINE TRAFFIC CONTROL TO INTERNAL SECURITY. THE DEFENSE ROLE IS CARRIED OUT BY A NUMBER OF SMALL MILITARY UNITS NO LARGER THAN COMPANY SIZE WITHIN THE NATIONAL GUARD, ORGANIZED AND TRAINED TO CONDUCT LIMITED SCALE MILITARY FIELD OPERATIONS. THEY ARE LIGHTLY ARMED, MECHANIZED TO ONLY A LIMITED EXTENT, AND HAVE NO SOPHISTICATED WEAPONS OR EQUIPMENT. THE AIR AND SEA ARMS ARE LITTLE MORE THAN TOKEN AND NOT CAPABLE OF COMBAT OPERATIONS.

4. BECAUSE OF GN ACCOUNTING METHODS, THERE IS NO WAY TO ESTIMATE ACCURATELY HOW MUCH OF THE "MILITARY" BUDGET GOES CONFIDENTIAL

CONFIDENTIAL

PAGE 03 PANAMA 04391 171844Z

FOR CIVIC ACTION. IT IS TRUE, HOWEVER, THAT THE GN IS INCREASINGLY ACTIVE IN CONSTRUCTION OF COMMUNITY PROJECTS -- PARTICULARLY IN THE INTERIOR. IF FORCES TO GUESS THE SHARE OF THE MILITARY BUDGET WHICH GOES FOR SUCH PROJECTS, WE WOULD SAY SOMEWHERE BETWEEN 10 TO 15 PERCENT. THESE CIVIC ACTIONS BY THE GN HAVE SOME POSITIVE IMPACT ON THE WELFARE OF PERSONS LIVING IN THE INTERIOR AND, IN THE FINAL ANALYSIS, ON ECONOMIC DEVELOPMENT SINCE THEY ARE CONCENTRATED IN SUCH AREAS AS SCHOOL BUILDINGS, ROADS AND OTHER ASPECTS OF COMMUNITY DEVELOPMENT.

5. EVEN GIVEN PROPOSED PLANS TO UPGRADE THE GN CAPABILITY, A BUILDUP OF PANAMA'S DEFENSE CAPABILITY TO TAKE PLACE RAPIDLY ENOUGH TO RAISE THE DEFENSE PORTION OF GDP TO, SAY 2 PERCENT, ANY TIME SOON IS UNLIKELY. BY WORLDWIDE COMPARISON, EVEN 2 PERCENT OF GDP FOR DEFENSE WOULD BE VERY LOW AND COMPARE FAVORABLY TO THE 5 PERCENT "REASONABLENESS" TEST USED IN IMPLEMENTING SECTION 621 (S) OF THE FOREIGN ASSISTANCE ACT. NEVERTHELESS, THE MISSION REMAINS MINDFUL

OF USG ARMS CONTROL POLICIES AND WILL SEEK TO GUIDE PANAMANIAN
POLICY AWAY FROM UNNECESSARY MILITARY EXPENDITURES.

6. REGARDING OTHER NON-FINANCIAL ASPECTS OF PANAMA'S
DEFENSE EFFORT, VIZ, POSSIBLE MANPOWER AND TRAINING DRAINS,
THESE TOO HAVE BUT A TRIVIAL IMPACT ON THE ECONOMY AND ITS
DEVELOPMENT BECAUSE OF THE SMALL NUMBER OF PERSONNEL
INVOLVED AND THE RELATIVELY LOW LEVEL OF THEIR TRAINING
AND SKILLS.

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Message Attributes

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Sent Date: 17-Jun-1977 12:00:00 am
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Disposition History: n/a
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